

Message Text

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ACTION EB-07

INFO OCT-01 EA-07 ISO-00 TRSE-00 COME-00 DOTE-00 FMC-01

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FM AMEMBASSY MANILA

TO SECSTATE WASHDC 227

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E. O. 11652: N/A

TAGS: EWWT, RP

SUBJECT: SHIPPING: SEA-LAND CLAIMS OF DISCRIMINATION

REF: STATE A-4353, AUGUST 30, 1976

1. SUMMARY. WE HAVE TAKEN A CAREFUL LOOK AT THE SEA-LAND FILE PROVIDED IN REPAIR, AND WHILE WE AGREE COMPLETELY WITH SEA-LAND THAT PHILIPPINE SHIPPING POLICY IS PROTECTIONISTIC AND DISCRIMINATORY, SEA-LAND'S PRESENTATION IS INCOMPLETE AND NEW DEVELOPMENTS HAVE ALTERED THE SITUATION. MANILA 13228 REPORTED THAT THE GOP HAS TOLD THE FAR EASTERN CONFERENCE THAT PD 894 QUOTE IS NOT BEING IMPLEMENTED END QUOTE AND THAT IT QUOTE WAS GOING TO BE SUBSTANTIALLY AMENDED. END QUOTE. GIVEN OUR OWN PRACTICES AND THE INCOMPLETE SEA-LAND PRESENTATION, THERE APPEARS LITTLE GROUND FOR RETALIATORY ACTION. OUR BEST COURSE OF ACTION IS TO CONTINUE TO ENCOURAGE SHIPPERS AND PHILIPPINE ENDUSERS TO BRING THEIR COMPLAINTS TO THE GOP AUTHORITIES WITH A VIEW OF ALTERING PD 894. END SUMMARY.

2. AS THE DEPARTMENT NOTES, NEITHER THE SEA-LAND MANILA REPRESENTATIVE (R.H. SMITH) IN HIS JULY 20 LETTER NOR THE WASHINGTON REPRESENTATIVE INDICATE HOW MANY OF THE FIVE ACCOUNTS IN QUESTION MAY BE FOR GOP CON-

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SIGNEES OR HAVE GOP FINANCING. WE HAVE ASKED FOR ADDI-

INFO ON THESE TWO POINTS FROM SMITH, WITH WHOM WE HAVE HAD SUBSEQUENT DISCUSSIONS, PARTICULARLY THE NEW DEVELOPMENTS REPORTED IN REFTEL. COPY OF OUR REPLY TO SMITH BEING POUCHED DEPARTMENT.

3. AS FOR THE OTHER SHIPMENTS, TOBACCO (JULY 20 GOTTSALL LETTER) IS WHOLLY FINANCED BY THE DEVELOPMENT BANK OF THE PHILIPPINES WITH A CCC LINE AND IS SUBJECT TO PHILIPPINE FLAG RESTRICTION. RE THE SPARGO-GALLAGHER JULY 9 MEMO, THE MAIN ITEM INVOLVING CONNELL BROS. MACHINERY IS SPECIFIED FOR A GOP PROJECT. MOST OF THE ITEMS IN THE JULY 9 SPARGO/DEAVER MEMO APPEAR TO BE GOP CONSIGNEES (PHILIPPINE INTERNATIONAL CONVENTION CENTER, NATIONAL POWER CORPORATION, AND PHILIPPINE AIR FORCE) OR GOP FINANCED (ALL MAJOR HOTELS HAVE DBP, GSIS OR SSS LOANS AT VERY FAVORABLE TERMS). THE OTHER ITEMS IN THE ABOVE COMMUNICATIONS COULD BE EITHER GOP FINANCED OR PRIVATE. ONLY THE BECKMAN COTTON SHIPMENT APPEARS CLEARLY TO BE OF A PRIVATE NATURE. THE LEVERAGE WHICH THE GOP HAS ON THE COTTON MILLS ARE THE EXTENSIVE DBP LOANS FOR MACHINERY AND COTTON TO THE INDUSTRY.

4. ALL LETTERS OF CREDIT ARE OPENED WITH A COMMERCIAL BANK WHICH ROUTES TO THE CENTRAL BANK ONLY THOSE L/Cs INVOLVING IMPORT RESTRICTED ITEMS OR ENTAILING A MONTHLY IMPORTATION OF MACHINERY ABOVE \$50,000. THE RESTRICTION SPECIFYING PHILIPPINE FLAG VESSELS IS PLACED ON THE L/C BY THE COMMERCIAL BANK INTERPRETING OR APPLYING CENTRAL BANK CIRCULARS, THE PRINCIPAL ONES BEING THOSE RELATING TO GOP CONSIGNEES AND GOP FINANCING.

5. COMPLAINTS RELATE EXCLUSIVELY TO IMPORTS. AS FOR EXPORTS, A COMMERCIAL BANK HAS REPORTED THAT THERE ARE NOW NO RPT NO RESTRICTIONS ON USING PHILIPPINE FLAG VESSELS BECAUSE OF STRONG PROTESTS FROM PHILIPPINE EXPORTERS. THIS WAS APPARENTLY A RESULT OF THE AUGUST 11 MEETING DURING WHICH PHILIPPINE EXPORTERS SEVERELY CRITICIZED PD 894.

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6. IMPORTERS HAVE ALSO COMPLAINED TO GOP AUTHORITIES ABOUT THE RESTRICTIONS ON THE USE OF NON-PHILIPPINE FLAG VESSELS. WE HAVE ENCOURAGED PHILIPPINE IMPORTERS, THE LATEST BEING FORTUNE TOBACCO (LUCIO TAN), TO BRING THEIR PROBLEMS TO TRADE SECRETARY QUIAZON AND THE PHILIPPINE SHIPPERS COUNCIL. IT HAS BEEN OUR UNDERSTANDING THAT WAIVERS ARE NOW BEING GRANTED EXPEDITIOUSLY ON DBP

FINANCED COTTON SHIPMENTS AS A RESULT OF COMPLAINTS BY THE COTTON
MILLS.

7. WE HAVE NOT HEARD OF THE REPORT THAT THERE IS
QUOTE SOME REDUCTION IN IMPORT DUTY END QUOTE ON COM-
MODITIES ARRIVING ON PHILIPPINE FLAG VESSELS, AND WE
TEND TO DOUBT THE ACCURACY OF SUCH A STATEMENT. IF
IT WERE TRUE, THE LINE AT THE PIER WOULD BE PRETTY LONG
BY NOW.
SULLIVAN

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